

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

**IN THE MATTER OF: STEVEN R. JALOZA**

**FILE NO. 0300858**

**ORDER OF REVOCATION**

TO THE RESPONDENT: Steven R. Jaloza  
(CRD #: 1320831)  
215 Saddle Lane  
Muttontown, New York 11791

c/o Gunnallen Financial, Inc.  
1715 N. Westshore Boulevard  
7<sup>th</sup> Floor  
Tampa, Florida 33607-3926

WHEREAS, the above-captioned matter came on to be heard on September 1, 2004, pursuant to the Notice of Hearing dated May 20, 2004, FILED BY Petitioner Secretary of State, and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative.

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, Soula J. Spyropoulos, Esq. in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct and are hereby adopted as the Findings of Fact of the Secretary of State:

1. Section 130.1102 of subpart K of the Rules and Regulations of the Illinois Securities Law of 1953 (the "Rules and Regulations") states that each

## Order of Revocation

- 2 -

respondent shall be given a Notice of Hearing at least 45 days before the first date set for any hearing under the Act. Proper notice is given by depositing a Notice of Hearing with the United States Postal Service (the U.S.P.S.), either by certified or registered mail, return receipt requested, or by the personal service of the Notice of Hearing to the last known address of the respondent.

As per Exhibit 1, on May 20, 2004, the Department deposited the Notice with the U.S.P.S. by certified mail, return receipt requested, to the address of the Respondent's last known place of business and the address of Respondent's last known personal residence. The Notice was, thus given on May 20, 2004. The Notice marks as the first date set for hearing the date of June 30, 2004, a date occurring less than forty-five (45) days after Respondent was given the Notice. Because the Notice was given on the date less than forty-five (45) days before the first date set for hearing on the File, the Order of Continuance was entered, which continued the hearing date to September 1, 2004 from June 30, 2004 (the "Order of Continuance"). Hence, because the newly-scheduled hearing date (September 1<sup>st</sup>) is a date occurring more than forty-five (45) days after the date that the Notice was served (May 20<sup>th</sup>), the service of the Notice upon Respondent by the Department was proper under the Rules and Regulations.

2. Section 11.F(1) of the Act provides that the Secretary of State shall not undertake any action or impose a fine against a registered salesperson of securities within the State of Illinois for a violation of the Act without first providing the salesperson an opportunity for hearing upon not less than ten (10) days' notice given by personal service or registered mail or certified mail, return receipt requested, to the person concerned.

As per Exhibit 1, Respondent was properly notified of his opportunity to be heard on the File via the Department's timely provision thereto of the Notice. As discussed in Paragraph 1 hereinabove, the Department served the Notice and the Order of Continuance upon Respondent at Respondent's last known personal residential and business address on May 20, 2004 and on July 1, 2004, respectively. Either of the dates of May 20<sup>th</sup> or July 1<sup>st</sup> is a date occurring over 10 days before the Respondent's scheduled opportunity to be heard on September 1, 2004. Hence, Respondent received well over the requisite 10 days' notice of the scheduled, September 1<sup>st</sup>, hearing date.

Therefore, because the Department gave proper notice of the hearing to the Respondent, the Department has personal jurisdiction over Respondent.

Order of Revocation

- 3 -

3. Respondent failed to appear, whether personally or through counsel, at the hearing.
4. The Department offered exhibits, identified above, each of which was received and admitted into evidence, a proper record of all proceedings having been made and preserved, as required.
5. At the hearing, the Department presented the Hearing Officer with their motion for Respondent to be deemed to have admitted to the allegations of the Notice, which motion was based upon Section 130.1104(b) of the Rules and Regulations, and with their motion for the entry of a finding of default against Respondent, which motion is based upon Section 130.1109 of the Rules and Regulations. After hearing thereon, the Hearing Officer ruled in favor of the Department on both motions.
6. As of the date hereof, the Hearing Officer is unaware of the existence of any other outstanding petitions, motions, or objections as to the File or the proceeding thereon.
7. At all relevant times Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

On September 26, 2003 NASD entered the Order, which sanctions Respondent as follows:

- a. Suspension from associating with any NASD member firm in any capacity for a period of forty-five (45) days; and
- b. The assessment of a fine in the amount of \$10,000.00 (Ten Thousand & 00/100 Dollars)

The Order found that:

- a. From in or about May 1999 to in or about August 2000, the Respondent and another individual (hereinafter "Mr. F") were the principal owners of Joseph Dillon, and the firm's only two directors. The Respondent was Joseph Dillon's Chief Executive Officer, while Mr. F was Joseph Dillon's Executive Vice President in charge of managing Joseph Dillon's sales force.

From in or around November 1999 through in or around February 2000, Joseph Dillon, acting through the Respondent and Mr. F, issued shares of their firm's preferred stock in a private placement offering (the

“Offering”). The Offering produced gross proceeds totaling around \$630,000. According to the Offering’s Memorandum (“Memorandum”), the primary objective of the Offering was to fund the development of a website that would offer an array of online services to Joseph Dillon’s clients. However, none of the Offering’s proceeds was spent on developing Joseph Dillon’s online division.

During and in months following the Offering, Joseph Dillon provided funding to two new business ventures – Long Island Sports, LLC (“LI Sports”) and Quintessential Media, Inc. (“Quintessential”) – which totaled \$140,500 and \$130,000, respectively. LI Sports was formed in July 1999 in the State of New York and was established to operate a minor league basketball team on Long Island in the then-newly-created American Basketball Association (“ABA”). The Respondent and Mr. F each had an ownership interest in LI Sports and were co-founders of the ABA. Quintessential was incorporated in the State of Delaware in October 1999, and purportedly a theater production company. According to the Respondent, Quintessential was funded by proceeds from the Offering.

- b. The Memorandum failed to provide any information concerning Joseph Dillon’s funding of LI Sports. Respondent’s failure to disclose the existence of this funding constituted a material omission. By failing to disclose that he was engaged in self-dealing, Respondent acted in contravention of Section 17(a)(92) and Section 17(a)(3) of the Securities Act of 1933, and violated NASD Conduct Rule 2110.
- c. The Memorandum, in discussing the proposed creation of Joseph Dillon’s online division, states that Joseph Dillon maintained approximately 43,000 customer accounts at the time of the Offering and that, based on this number of customer accounts, Joseph Dillon believed that it had a sufficient number of users to support the development of its online division. The Memorandum, however, failed to disclose that, at the time of the Offering, most of these accounts were inactive, i.e., had no activity and no account balance for at least the prior twelve months. The failure to specify the number of accounts that was actually active constituted a material omission.

The Respondent was responsible for determining the number of customer accounts. By failing to inform investors that the number of accounts that were actually active was far less than what was asserted in the Memorandum, the Respondent acted in contravention of Section 17(a)(2) and Section 17(a)(3) of the Securities Act of 1933, and violated NASD Conduct Rule 2110.

d. Respondent, as an officer and as a director of Joseph Dillon, owed a duty of care to Joseph Dillon's shareholders. The Respondent failed to exercise reasonable care in connection with his decision, on behalf of Joseph Dillon, to invest in Quintessential. The Respondent failed to engage in a meaningful examination of Quintessential's business operations or take the necessary steps to ensure that Quintessential was a legitimate business enterprise with a sound business plan. Accordingly, by failing to exercise reasonable care in connection with his decision to invest in Quintessential, the Respondent violated NASD Conduct Rule 2110.

e. In July 2000, while conducting a securities business, Joseph Dillon failed to make and preserve required books and records in accordance with SEC Rules 17a-3 17a-4. These records included the following: general ledger, trail balance, balance sheet, income statement, bank reconciliation, and net capital computation.

As Chief Executive Officer, the Respondent was responsible for ensuring that Joseph Dillon complied with its record keeping obligations. Accordingly, the Respondent violated NASD Conduct Rules 3110 and 2110.

f. In 2000, Joseph Dillon was required to file its Financial and Operational Combined Uniform Single ("FOCUS") reports with NASD on a monthly basis pursuant to SEC Rule 17a-5. Joseph Dillon failed to file its FOCUS report for the period ending July 31, 2000, as required by SEC Rule 17a-5.

As Chief Executive Officer, the Respondent was responsible for ensuring that Joseph Dillon complied with SEC Rule 17a-5. Accordingly, the Respondent violated NASD Conduct Rule 2110.

WHEREAS, the proposed Conclusions of Law made by the Hearing Officer are correct and are hereby adopted as the Conclusions of Law of the Secretary of State:

1. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act.
2. Section 8.E(1)(0) of the Act provides, inter alia, that the registration of salespeople registered within the State of Illinois may be revoked if the Secretary of State finds that such have been suspended by any self-regulatory organization registered under the federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation, or standard duly promulgated by the self-regulatory organization.

Order of Revocation

- 6 -

3. Respondent is a registered salesperson of securities in the State of Illinois who has had entered against him the Order that not only suspends him from associating with any NASD member firm in any capacity for a period of forty-five (45) days but also fines him in the amount of \$10,000.00 due to Respondent's having failed to: first, disclose to the customers of his brokerage firm (the "Customers") that he was engaged in self-dealing; second, specify to the Customers the actual number of active Customer accounts when he was promoting the offering; third, exercise reasonable care on behalf of the Customers in his decision to invest in Quintessential; fourth, make and preserve required books and records; and, fifth, file the requisite FOCUS report for the period ending July 31, 2000. Respondent's actions were, thus, in contravention of NASD Conduct Rules 2110 and 3110.

Therefore, the suspension of Respondent in the Order clearly arose from fraudulent or deceptive acts or practices in violation or contravention of rules, regulations, and standards duly promulgated by a self-regulatory organization, the NASD, an organization registered under the Federal 1934 Act.

4. Under and by virtue of the foregoing, Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, the Hearing Officer recommended that the Secretary of State should revoke the Respondent's registration as a salesperson in the State of Illinois, and the Secretary of State adopts in it's entirety the Recommendation made by the Hearing Officer.

Order of Revocation

- 7 -

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED:

1. That Steven R. Jaloza's registration as a salesperson in the State of Illinois is revoked pursuant to the authority provided under Section 8.E(1)(j) of the Act.
2. That this matter is concluded without further proceedings.

ENTERED: This 17<sup>th</sup> day of September 2004.

  
JESSE WHITE  
Secretary of State  
State of Illinois

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.